



Gold Reserve Inc.

NR-12-16

Gold Reserve Updates Shareholders

SPOKANE, WASHINGTON, November 29, 2012

Gold Reserve Inc. (TSX VENTURE:GRZ) (NYSE-MKT:GRZ) (the “Company”) is pleased to provide an update on management’s activities related to arbitration and settlement discussions, debt restructuring, exchange listings, litigation settlement, exploration activities and its financial overview for the third quarter of 2012.

The Company has continued to make significant progress over the past year. Management is currently assembling its response to a July 25, 2012 procedural order by the Tribunal requesting further evidence related to quantum issues in the Brisas Arbitration while we remain committed in our efforts to reach an amicable settlement with Venezuela that could include a monetary agreement and/or project participation. In addition to our efforts related to the arbitration, we obtained a working interest in the La Tortuga project, concluded a restructuring of our outstanding convertible notes, settled pending litigation related to a breach of fiduciary responsibility during the course of a 2008 unsolicited takeover bid and redoubled efforts to sell the remaining assets previously purchased for the Brisas Project.

The Company reported for the third quarter ended September 30, 2012, a net loss of \$1.7 million or \$0.03 per share compared to a loss of \$5.1 million, or \$0.09 per share in the same quarter of 2011. Cash and cash equivalents and investments totaled approximately \$14.9 million as of September 30, 2012.

Mr. A. Douglas Belanger, President, stated, “We are optimistic that there are very few steps remaining in the arbitration process, however the timing of an arbitration case such as ours is always a significant variable. In regards to our recent debt restructuring, our stakeholders should be pleased that we made every effort to limit shareholder dilution, to extent possible, minimize future outlays for interest payments, better rationalize the capital structure of the Company, creating positive equity while providing greater certainty going forward. The litigation settlement likewise provides greater certainty in the future and the acquisition of a working interest in the La Tortuga project gives the Company a platform for future growth and opportunities.”

Mr. Belanger further stated, “Subsequent to the completion of the debt restructuring we expect to have sufficient financial resources, including the sale of the remaining Brisas Project assets to fulfill our commitment to execute the arbitration process in a timely manner, continue our investment in the exploration of the La Tortuga project as well as identify other opportunities for our stakeholders.”

Arbitration and Settlement Discussions

The Company, in November 2009, filed its Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes (“ICSID”), against the Bolivarian Republic of Venezuela (“Respondent”) seeking compensation totaling US \$2.1 billion (including interest from April 2008, the date of the loss) for all of the loss and damage resulting from Venezuela’s wrongful expropriation of the Company’s Brisas Project (ICSID Case No. ARB(AF)/09/1).

After the parties each made several filings, the Tribunal held an oral hearing with the parties in Washington, D.C. during the week of February 13, 2012. The oral hearing focused on the evidentiary record in the case and allowed counsel for both the Company and Venezuela to address the issues of jurisdiction, liability and damages and permitted the Tribunal to hear in-person testimony from certain fact and expert witnesses, as well as to address questions to each of the parties. These proceedings represented the conclusion of an extensive undertaking by the Company's counsel, technical, legal and financial experts, as well as its employees.

In its concluding remarks during the oral hearing, the Tribunal noted that it may make requests for additional information and/or call upon the assistance of the Parties' experts in the coming months in order to facilitate its determination of the Fair Market Value, if any, of the whole Brisas Project or any particular part or parts of the project. Subsequent to the conclusion of the oral hearing, as is typical in such proceedings, the parties at the request of the Tribunal submitted post hearing briefs in March, May, and June 2012. On July 25, 2012, the Tribunal issued a procedural order requesting the production of further evidence related to valuation issues. The tribunal recently set the date for submission to December 21, 2012.

Information contained in an article titled "ICSID Arbitration: How Long Does It Take?" which was first written for Global Arbitration Review and published in the GAR Journal, Volume 4 issue 5 - www.GlobalArbitrationReview.com suggests that it is typical for a tribunal to require from 6 to 18 months following the conclusion of proceedings, with the average being about 14 months, to issue a ruling. As a comparative, in April 2013, it will have been 14 months since the conclusion of the oral hearing in this case. In management's opinion, this case has moved in a timely manner through the various stages of procedure as a direct result of the dedication and talent of our counsel, experts and long-time employees. While the process is lengthy, the substantial value of the Brisas asset and the breath and depth of evidentiary record requires thoughtful consideration by the Tribunal and, as a result, the actual timing of an arbitration case such as ours will of course be subject to the discretion of the ICSID Tribunal.

An ICSID Additional Facility Award is enforceable globally under the New York Convention, an international convention regarding the recognition and enforcement of arbitral awards with over one hundred forty State parties. There are clear, well documented procedures for identifying sovereign assets located in one or more of these States and for enforcing arbitral awards by attaching such assets.

Consistent with its publically stated intent to develop the Brisas Project and contiguous areas, Venezuela has concluded a contract with a large Chinese corporation for initial studies related to the development and eventual construction of the Brisas-Cristinas mine as a large gold-copper complex. With this in mind, the Company continues to have discussions with the Venezuelan authorities regarding a settlement of the dispute including the transfer of the extensive technical data related to the development of the Brisas Project that was compiled by the Company. A conservative estimate to develop the Brisas-Cristinas project without access to the Company's engineering data could be 7 to 10 years; with a settlement that would provide access to that data, the mine could theoretically be developed in about 3 to 4 years. Gold Reserve has proposed a solution to the Venezuelan government that would allow the mine, with the assistance of the Chinese corporation, to be developed for the benefit of Venezuela, with proper compensation for our stakeholders. We have provided our solution to various government entities with oversight responsibility for the Brisas project and through the submission of construction and financing proposals to the relevant authorities, including the Central Bank of Venezuela, the Ministry of Oil and Mines and the Attorney General's office.

Gold Reserve has been and will continue to be amenable to an amicable but fair settlement. Regardless of whether there is a settlement or an arbitral ruling, management is committed to see this process through to its logical conclusion.

Redemption and Restructuring of 5.5% Senior Subordinated Convertible Notes due 2022

The Company announced November 27, 2012 (see NR12-15) the completion of the results of the restructuring of its 5.5% Senior Subordinated Convertible Notes due 2022 (the “Notes”). The Company restructured approximately \$101.3 million of its \$102.3 million total Notes in exchange for \$33.8 million in cash, \$42.2 million by issuing 12,412,501 common shares at \$3.40 per share, \$25.3 million in new two-year Modified Notes (due July 2014 with a 5.5% yield and convertible into common shares under certain circumstances at \$4.00 per share) and a Contingent Value Right (“CVR”) to be distributed after income tax calculation and other deductions pro-rata to the participating note holders in the restructuring totaling 5.468% of any sale of the Company’s Brisas Project mining data and or award or settlement of the ICSID arbitration.

After the restructuring, approximately \$1.04 million principal amount of existing Notes, approximately \$25.3 million principal amount of Modified Notes, 5.468% Contingent Value Right and approximately 72,711,708 shares of Class A common stock will be issued and outstanding. After the restructuring, utilizing the September 30, 2012 financial statements, the pro-forma financial statements Shareholder (deficit) of approximately \$35.8 million increased to a positive equity of approximately \$6.5 million.

Exchange Listings

During April 2008 the Venezuelan government effectively expropriated the Brisas Project. Subsequently, the expropriation led NYSE MKT (the “NYSE”) and the Toronto Stock Exchange (the “TSX”) to conclude that the Company “no longer complied” with its listing rules and in June and November 2011, the Company was advised by the NYSE and the TSX, respectively, that each intended to delist the Company’s common shares. The Company appealed both notifications. In October 2011, the NYSE approved a plan to regain compliance with its listing standards (the “Plan”). The NYSE Plan provided for an 18 month schedule, starting June 20, 2011, the initial date of the notice of non-compliance, whereby the Company was required to obtain a working interest in one or more acceptable mineral exploration properties by June 2012 with commensurate exploration expenditures of at least \$5 million made thereon by December 20, 2012. The Company also appealed the TSX’s original determination, submitting a plan similar to that approved by the NSYE, with the TSX determining the plan was not sufficiently advanced for additional time to regain compliance. As a result, trading of the Company’s common shares moved from the TSX to the TSX.V (symbol “GRZ.V”) commencing February 1, 2012.

In May 2012 the Company signed an Option Agreement with Soltoro Ltd. (SOL.V) (“Soltoro”) whereby Soltoro granted Gold Reserve the right to earn an undivided 51% interest in the La Tortuga property with an option to subsequently acquire an additional 9% interest in the property for \$2,000,000.

Management believed that the discretionary requirement in the November 2011 Plan that the Company expend \$5 million on one or more properties by December 21, 2012 would be challenging but that the opportunity to remain listed on the NSYE was extremely beneficial to the Company’s shareholders, note holders and the future of the Company. During 2012, the Company has been involved in arbitration activities, restructuring of its convertible notes, settling other litigation and since the May 2012 agreement with Soltoro, through the third quarter ending September 30, 2012 and up to November 29, 2012 the Company has made rational and methodical progress with the exploration of La Tortuga. At this time management does not expect to achieve compliance with the minimum expenditures of \$5 million within the required time frame as outlined in the Plan and, as a result, the Company will remain subject to delisting procedures pursuant to the NYSE rules.

Once the audited financial statements for 2012 are issued in early 2013, the Company intends to apply for a listing with the NASDAQ OMX.

Litigation Settlement

During December 2008 the Company filed an action in the Ontario Superior Court of Justice against Rusoro Mining Ltd. (RML.V) and Rusoro's financial advisor Endeavour Financial International Corporation relating to damages from an unsolicited takeover offer. Both parties filed counterclaims in 2009 and the Company amended its original claim in 2010. On September 20, 2012, the Company entered a settlement agreement with both Endeavour and Rusoro. Under the settlement all legal actions were dismissed with Endeavour paying the Company Cdn \$1,500,000 and Rusoro paying US \$ 250,000, issuing 2,500,000 common shares and a conditional promissory note in the amount of \$1,000,000. The promissory note will become due and payable when and if Rusoro is successful in the arbitration it has commenced against the Venezuelan Government seeking compensation for the nationalization of Rusoro's gold projects in Venezuela.

Exploration Activities

In May the Company entered an option agreement with Soltoro Ltd to earn a 50% interest in the La Tortuga property in Jalisco State southwest of Guadalajara. This is an area of extensive historical production and Soltoro has been actively exploring the property since 2006 having conducted geophysics, geochemistry, mapping and diamond drilling. Since becoming the operator of the project, the Company has established the required legal presence in Mexico, established a working office, commenced exploration activities and has begun compiling all the data received from Soltoro. We are fortunate that we were able to bring on board some of our senior personnel that were involved in Brisas which have extensive experience in exploration and development and are able to work comfortably in Mexico. There are several geophysical and geochemical anomalies that will be tested by drilling. The property has widespread occurrences of gold copper mineralization within the 49 square kilometer area and an exploration program is being developed to adequately test the potential of this large property.

Brisas Equipment

Of the \$128 million in equipment originally purchased in 2007 for the Brisas Project, a large 38 foot SAG mill, a large transformer and other smaller ancillary equipment with a original cost of approximately \$29 million with a net carrying value of \$19 million. The SAG mill is the most substantial remaining item with the bulk of the value. We continue our efforts with the equipment broker who has assisted us with most of the previous equipment sales to dispose of the remaining equipment. Although there are currently no pending sales transactions, there continue to be a few potential buyers that are evaluating the SAG mill.

Financial Overview

Gold Reserve is an exploration stage company with a working interest in the La Tortuga project located in Mexico. During 2012 the Company, established the local operating entity and commencing related exploration for the La Tortuga project; settled the litigation related to a breach of fiduciary responsibility during the course of a 2008 unsolicited takeover bid; concluded the convertible note restructuring on November 27, 2012; continues to pursue its arbitration claim against Venezuela by filing post hearing briefs during March, May and June 2012 and is currently responding to the Tribunal's July 25, 2012 procedural order requesting the production of further evidence related to quantum issues; management has also continued its efforts to reach an amicable settlement that could include a monetary agreement and/or project participation and; continues to pursue the sale of the remaining assets previously purchased for the Brisas Project.

We have no commercial production at this time and, as a result, we have not recorded revenue or cash flows from mining operations and continue to experience losses from operations, a trend we expect to continue unless and until the investment dispute regarding Brisas is resolved favorably to the Company and/or we acquire or invest in an alternative project which results in positive results from operations.

Liquidity and Capital Resources

At September 30, 2012, the Company had cash and cash equivalents of approximately \$14.2 million which represents a decrease from December 31, 2011 of approximately \$43.4 million. The net decrease for the nine months was primarily due to cash used for redemption of convertible notes of \$32.4 million (see note 12 and 14 to the consolidated financial statements) and cash used by operations of \$11.5 million. The components of changes in cash are more fully described in the "Operating," "Investing" and "Financing" Activities section below.

Our total financial resources, which include cash and cash equivalents and marketable securities, totaled approximately \$14.9 million at September 30, 2012. In addition, the Company holds Brisas Project related equipment that it intends to dispose of in the near term. This equipment is carried on the balance sheet (as property, plant and equipment) at its estimated fair value of approximately \$19 million.

The Offer period related to the convertible note Restructuring expired on November 23, 2012, thereafter the redemption of the existing notes pursuant to the Restructuring was finalized and the remaining cash, shares and modified notes were issued on or around November 27, 2012 (See notes 12 and 14 to the consolidated financial statements and the Company's News Release date November 27, 2012).

We believe that cash and investment balances and funds available from potential future equipment sales will be sufficient to enable us to fund our activities through 2013. As of November 29, 2012 subsequent to funding our obligations related to the Restructuring, we had approximately \$11 million in cash and investments, which are held primarily in US dollar denominated accounts.

Operating Activities

Cash flow used by operating activities for the nine months ended September 30, 2012 and 2011 was approximately \$11.5 million and \$13.0 million, respectively. Cash flow used by operating activities consists of net operating losses (the components of which are more fully discussed below) adjusted for certain non-cash income and expense items primarily related to stock options and common shares issued in lieu of cash compensation, accretion of convertible notes, gains on sale of equipment and marketable securities, and certain non-cash changes in working capital. Cash flow used by operating activities during the nine months ended September 30, 2012 decreased from the prior comparable period primarily due to a decrease in professional fees and expenses connected with the arbitration and the receipt of funds as a result of settlement of litigation related to a 2008 unsolicited takeover bid for the Company. (See Note 13 to the consolidated financial statements).

Summary Results of Operations

Consolidated net loss for the three and nine months ended September 30, 2012 was approximately \$1.7 million and \$14.4 million, respectively, compared to \$5.1 million and \$17.1 million in the comparable periods in 2011.

	3 months			9 months		
	2012	2011	Change	2012	2011	Change
Other Income	\$ 1,905,894	\$ 1,214,530	\$ 691,364	\$ 1,919,948	\$ 2,338,132	\$ (418,184)
Total expenses	(3,654,956)	(6,276,146)	2,621,190	(16,298,658)	(19,436,781)	3,138,123
Net Loss	<u>\$ (1,749,062)</u>	<u>\$ (5,061,616)</u>	<u>\$ 3,312,554</u>	<u>\$ (14,378,710)</u>	<u>\$ (17,098,649)</u>	<u>\$ 2,719,939</u>

We have no commercial production at this time and, as a result, other income is often variable from period to period due to one-time or otherwise variable sources of income. The change in other income was primarily due to settlement of litigation in the third quarter of 2012 offset by decreases in gain on sale of equipment and gain on disposition of marketable securities.

Total expenses for the three and nine months ended September 30, 2012 decreased \$2.6 million and \$3.1 million, respectively over the comparable periods in 2011. The decreases were primarily due to decreases in arbitration costs, equipment holding costs, Venezuelan expenses and interest partially offset by increases in legal and general and administrative costs, including exploration costs.

With the completion of the oral hearing in the Company's arbitration against Venezuela in the first quarter of 2012, arbitration costs significantly decreased in the second and third quarters. Equipment holding costs have decreased as the Company has sold some of the equipment originally intended for the Brisas project and Venezuelan costs have decreased as the Company has significantly reduced its operations there. General and administrative expense increased primarily due to a non-cash increase in equity-based compensation and legal increased due to corporate and tax planning issues.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This release contains forward-looking statements that state Gold Reserve's or its management's intentions, hopes, beliefs, expectations or predictions for the future. In this release, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

We caution that such forward-looking statements involve known and unknown risks, uncertainties and other risks that may cause the actual outcomes, financial results, performance, or achievements of Gold Reserve to be materially different from our estimated outcomes, future results, performance, or achievements expressed or implied by those forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation: our ability to satisfy the requirements of the plan of compliance accepted by the staff of the NYSE Amex or to satisfy the continued listing requirements of the TSX.V or other ongoing listing standards which may result in the delisting of the Company's Class A common shares from the relevant exchange; the outcome of our arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes of the World Bank, in Washington, D.C. to determine compensation claimed by us resulting from our claims against the Venezuelan government and its agents and agencies; corruption and uncertain legal enforcement; political and social instability; requests for improper payments; competition with companies that are not subject to or do not follow Canadian and U.S. laws and regulations; regulatory, political and economic risks associated with Venezuela including changes in laws and legal regimes; impact of currency, metal prices and metal production volatility; our dependence upon the abilities and continued participation of certain key employees; potential volatility of our Class A common shares, including dilution as a result of the conversion of the convertible notes into our Class A common shares; the prospects for exploration and development of alternative projects by us; and risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of Gold Reserve's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to Gold Reserve or persons acting on its behalf are expressly qualified in their entirety by this notice. Gold Reserve disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to its disclosure obligations under applicable rules promulgated by the SEC.

In addition to being subject to a number of assumptions, forward-looking statements in this release involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including those factors outlined in the "Cautionary Statement Regarding Forward-Looking Statements" and "Risks Factors" contained in Gold Reserve's filings with the Canadian provincial securities regulatory authorities and U.S. Securities and Exchange Commission, including Gold Reserve's Annual Information Form and Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Canadian provincial securities regulatory authorities and U.S. Securities and Exchange Commission, respectively.

Further information regarding the Company can be located at www.goldreserveinc.com, www.sec.gov and www.sedar.com.

Company Contact

A. Douglas Belanger, President
926 W. Sprague Ave., Suite 200
Spokane, WA 99201 USA
Tel. (509) 623-1500
Fax (509) 623-1634

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